

Message Text

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15
ACTION SS-25

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INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 5950

EXDIS

E.O. 11652: GDS
TAGS: ENRG, PFOR, EC
SUBJECT: GULF'S CONTROVERSY WITH GOE

REF: QUITO 5932

1. I WOULD LIKE TO POINT OUT, FOR THE CONSIDERATION OF
THE DEPARTMENT, AND POSSIBLY FOR THOSE USG BODIES CONCERNED
WITH EXPROPRIATION POLICY, THAT GULF IS DELIBERATELY BREAK-
ING ECUADOREAN LAW IN WITHHOLDING DEPOSITS ON ITS SHIPMENTS
OF CRUDE.

2. AT PRESENT GULF HAS WITHHELD APPROXIMATELY \$25
MILLION IN DEPOSITS AND HAS THE POSSIBILITY OF WITHHOLDING
AN ADDITIONAL \$45 MILLION ON CARGOES ALREADY SHIPPED BUT
FOR WHICH DEPOSITS ARE NOT YET DUE. WE UNDERSTAND THAT
THIS TOTAL AMOUNT IS ABOUT EQUIVALENT TO THE U.S.
BOOK VALUE OF GULF'S INVESTMENT IN ECUADOR. IN DEALING
WITH THE GOE, GULF OFFICIALS APPARENTLY SEE THEMSELVES
IN THE COZY POSITION OF ALREADY HAVING GOTTEN OUT THEIR
INVESTMENT, SHOULD THEIR TACTICS RESULT IN THE NATIONALIZATION
OF THEIR PROPERTIES HERE.

3. WHILE THAT FACT MAY BE COMFORTING TO GULF OFFICERS
AND STOCKHOLDERS, IT IS OF REAL CONCERN TO ME AND, I
SHOULD THINK, TO THE U.S. GOVERNMENT. I CANNOT
BELIEVE THAT IF GULF'S FAILURE TO MAKE GOOD ON THESE
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DEPOSITS LEADS TO CANCELLATION OF THEIR CONCESSION AND

CONFISCATION OF THEIR ASSETS IN ECUADOR, THE U.S. GOVERNMENT WILL NOT BECOME INVOLVED IN ATTEMPTING TO OBTAIN PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION FOR GULF. THAT IS, I DOUBT THAT THE MATTER WILL BE ALLOWED TO REST AT THE \$70 MILLION IN WITHHELD DEPOSITS WHICH GULF MIGHT HAVE IN ITS POSSESSION AT THE TIME OF NATIONALIZATION.

4. YET, OUR CASE FOR ESPOUSAL, WHETHER FORMAL OR INFORMAL, OF GULF'S CLAIM AGAINST THE GOE WOULD BE GRAVELY FLAWED, IT SEEMS TO ME, BY THE FACT THAT THE CANCELLATION OF GULF'S SHARE OF THE CONCESSION AND THE SEIZURE OF ITS PHYSICAL ASSETS HAD BEEN PRECIPITATED BY A FLAGRANTLY ILLEGAL ACTION ON THE PART OF GULF. (FEW PEOPLE IN ECUADOR WILL BE IMPRESSED BY THE COUNTER-ARGUMENT THAT THE GOE HAS BEEN VIOLATING ITS CONTRACT WITH T-G AND OWES IT MONEY. WHATEVER GULF MAY BE IN REALITY, JURIDICALLY IT IS NOT A SOVEREIGN STATE.)

5. I HAVE MADE CLEAR TO GULF OFFICIALS MY CONCERN THAT THEIR TACTICS MAY BACKFIRE AND SERIOUSLY PREJUDICE ANY FUTURE CASE FOR INDEMNIZATION. (I HAVE ALSO POINTED OUT THAT THEIR TACTICS, TO THE EXTENT THEY BECOME PUBLIC-- AND THEY ARE BECOMING PUBLIC-- ARE RISKING PULLING THE RUG OUT FROM THOSE IN THE GOE WHO WANT TO REDRESS THEIR GRIEVANCES. AS I TOLD LUMPKIN OF GULF, WHEN YOU POINT A COCKED PISTOL AT SOMEONE'S HEAD TO INDUCE HIM TO DO WHAT YOU WANT, YOU HAVE TO AVOID HAVING THE PISTOL GO OFF SINCE HE CAN'T DO MUCH FOR YOU WITH HIS HEAD BLOWN OFF. BUT THAT IS ANOTHER POINT.) THE DEPARTMENT IS IN A BETTER POSITION THAN I TO DECIDE WHETHER IT SHOULD EXPRESS ITS CONCERN (AS DISTINGUISHED FROM MY OWN) TO GULF AS TO THE POSSIBLE CONSEQUENCES OF ITS PRESENT TACTICS FOR ITS CLAIM TO THE PROTECTION OF THE U.S. GOVERNMENT SHOULD ITS ECUADOR CONCESSION BE CANCELLED AND ITS HOLDINGS HERE BE SEIZED AS A RESULT OF ITS BREAKING THE LAW. THE PURPOSE OF THIS MESSAGE IS TO BE SURE THAT POLICY MAKERS AND LEGAL ADVISORS HAVE FOCUSED ON THE ISSUE.

5. NATURALLY, I WILL BE GRATEFUL FOR ANY INDICATION AS
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TO THE DEPARTMENT'S VIEWS.
BLOOMFIELD

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